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Mexico

Citrus

Semi-Annual Report

2004

Approved by:
David Williams
Mexico City

Prepared by:
Dulce Flores

Report Highlights:
The fresh orange production forecast for marketing year 2003/04 was revised upward based on official estimates. However, producers indicate it will still be a low production year. Fresh orange prices are expected to continue to be high and therefore unattractive to the fresh concentrate orange juice (FCOJ) industry. FCOJ production for MY 2004 was revised downward due to shorter orange supplies and low international FCOJ prices. As a result, FCOJ exports are forecast to be down and the U.S. FCOJ quota will likely not be filled.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
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[MX]

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Section I. Situation and Outlook

The citrus area is still recovering from the dry weather conditions that prevailed along the Gulf of Mexico during 2002 and 2003. The fresh orange production forecast for MY 2003/04 was revised upward to 4.0 MMT, based on official estimates. However, the industry still considers that this will be a short crop, with insufficient volume to supply the frozen concentrate orange juice (FCOJ) industry. FCOJ production for MY 2004 was revised downward from the previous forecast due to low orange supplies and higher fresh orange vs. processed prices. FCOJ exports were also revised downward.

Section II. Statistical Tables

Fresh Orange Table

Mexico							
Fresh Oranges							
	2001 Revised		2002 Estimate		2003 Forecast		UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin	11/2001		11/2002		11/2003		M/Y
Area Planted	349237	349237	352000	355387	350000	356000	(HECTARES)
Area Harvested	334767	334767	301000	329942	320000	332000	(HECTARES)
Bearing Trees	67623	67623	60802	66648	64640	67064	(1000 TREES)
Non-Bearing Trees	2923	2923	10302	5089	6060	4848	(1000 TREES)
TOTAL No. Of Trees	70546	70546	71104	71737	70700	71912	(1000 TREES)
Production	4020	4020	3000	3734	3400	4000	(1000 MT)
Imports	27	27	32	39	32	40	(1000 MT)
TOTAL SUPPLY	4047	4047	3032	3773	3432	4040	(1000 MT)
Exports	18	18	8	7	10	10	(1000 MT)
Fresh Dom. Consumption	3689	3689	2894	3646	3222	3860	(1000 MT)
Processing	340	340	130	120	200	170	(1000 MT)
TOTAL DISTRIBUTION	4047	4047	3032	3773	3432	4040	(1000 MT)

Fresh Concentrate Orange Juice Table

MÉXICO							
	Juice, Orange			65 Degrees Brix			
	2001 Revised		2002 Estimate		2003 Forecast		UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin	01/2002		01/2003		01/2004		M/Y
Deliv. To Processors	340000	340000	130000	120000	200000	170000	(MT)
Beginning Stocks	3000	3000	3000	3000	3000	3000	(MT)
Production	34000	34000	13000	12000	20000	17000	(MT)
Imports	710	710	900	600	900	600	(MT)
TOTAL SUPPLY	37710	37710	16900	15600	23900	20600	(MT)
Exports	30710	30710	9900	8600	16900	13600	(MT)
Domestic Consumption	4000	4000	4000	4000	4000	4000	(MT)
Ending Stocks	3000	3000	3000	3000	3000	3000	(MT)
TOTAL DISTRIBUTION	37710	37710	16900	15600	23900	20600	(MT)

Wholesale Orange Prices

WHOLESALE ORANGE PRICES (PESOS / KG)			
Month	2003	2004	Change %
January	1.62	1.63	0.61
February	1.74	1.63	(6.32)
March	2.23	1.78	(20.17)
April	2.61	1.93	(26.0)
May	3.05	N/A	N/A
June	4.64	N/A	N/A
July	4.46	N/A	N/A
August	3.78	N/A	N/A
September	3.01	N/A	N/A
October	2.90	N/A	N/A
November	1.84	N/A	N/A
December	1.81	N/A	N/A
SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS AVR. EXCHANGE RATE FOR 2003 US$1.00 = $ 10.79 PESOS EXCHANGE RATE APRIL 21, 2004 US$1.00 = $ 11.30 PESOS			

FRESH ORANGES

Production

The fresh orange production forecast for marketing year 2003/04 (November-October) was revised upward to 4.0 MMT reflecting recent official estimates. Although this represents a 7-percent increase over MY 2002/03 orange production estimates, producers still indicate it is a relatively low production year, mainly for the late variety oranges. Weather conditions such as low rainfall in the Gulf of Mexico region adversely affected overall orange production for MY 2003/04. MY 2003/04 fresh orange prices began at higher levels compared to those for MY 2002/03.

Orange production for MY 2002/03 was also revised upward to 3.7 MMT, based on official data. Dry weather conditions that prevailed along the Gulf of Mexico hampered orange production. As a result, prices for oranges for MY 2002/03 were higher compared to those for MY 2001/02. Data for MY 2001/02 remains unchanged.

The estimates for oranges destined for processing for MY 2002/03 and MY 2003/04 were revised downward, due to lower supplies of the late blooming orange varieties and harsh competition with the fresh market. The industry indicates that international prices for frozen concentrate orange juice (FCOJ) have been low, thus limiting FCOJ production in Mexico. Data for MY 2001/02 remains unchanged.

Area planted and harvested for MY 2002/03 and MY 2003/04 were revised upward from the previous forecast based on recent official information. There has been some expansion in Veracruz and Sonora, but this has been partially offset by growers abandoning groves or switching to other crops, due to high production costs, wide swings in fresh orange prices, and marketing problems. Orange production has increased in the state of Nuevo Leon, but is more a result of tree density than of expansion in area planted. The rate of expansion of orange groves in other areas of the country has also been slow. However, some producers disagree with official estimates of area planted, maintaining that there has been no expansion of groves. Although countrywide orange yields for MY 2003/04 are forecast at 12 MT/ha, some growers are more pessimistic and indicate that overall yields could be similar to MY 2002/03, that is 11.3 MT/ha, due to the adverse dry weather conditions. Area planted and harvested for MY 2001/02 remains unchanged.

Grower prices at the farm gate for MY 2003/04 began in October at 800 pesos/MT (US$71.62/MT) for the early varieties in Veracruz. Grower prices for the “Marsh” variety in Nuevo Leon were approximately $400 pesos/MT (US$35.81 /MT) for the same month. April 2004 grower prices for the late orange varieties reached $1,300 pesos/MT (US$114.84/MT) in Veracruz and $1,100 pesos/MT (US$96.66/MT) in Nuevo Leon. Transportation costs from Veracruz to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US$220.00 to $263.62 per 10 MT) for one-day delivery.

Consumption

The fresh orange consumption forecast for MY 2003/04 has been revised upward to 3.8 MMT, almost a 20-percent increase, due to slightly lower prices. Final consumption estimates, however, will depend on the final volume purchased by the processing industry. The processing industry indicates that smaller supplies of the orange varieties needed by the industry and higher prices for fresh vs. processed oranges will decrease the volume of oranges destined for processing. The MY 2002/03 consumption estimate was revised upward, due to larger-than-initially-expected supplies. The MY 2001/02 consumption estimate remains unchanged.

Wholesale orange prices for MY 2003/04 began at high levels compared to MY 2002/03, due to a second consecutive short supply year. From October to December 2003, wholesale prices of the new crop Valencia oranges from Veracruz averaged $2.90 pesos/kg. (US$0.26/kg), a significant increase from the October 2002 price of $1.69 pesos/kg US$0.17/kg. However, by January 2004, as harvesting was at its peak, prices began to decrease and by the month of April 2004, prices averaged $1.93 pesos/kg (US$0.17/kg). Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

Trade

The forecast for orange exports for MY 2003/04 remains unchanged, but final export figures will depend on the availability of supplies from California and Florida, which are forecast to be large. Most of Mexico's oranges that are exported to the United States are from Sonora -- a state that produces very good, high-quality oranges. Mexico will continue to export processed oranges as peeled slices for fruit salads and other foods. Export estimates for oranges for MY 2002/03 were revised downward based on available export data. Export data for MY 2001/02 remains unchanged. The United States continues to be the largest export market for Mexican oranges.

The MY 2002/03 and MY 2003/04 orange imports were revised upward based on available trade data. Imports from the United States continue to be small, due to available domestic orange supplies at relatively affordable prices. Orange imports for MY 2001/02 remain unchanged. U.S. orange prices, however, are higher than those for Mexican oranges.

Marketing

The general marketing situation for oranges and citrus fruit remains unchanged from FAS/Mexico's report MX 3147. U.S. citrus fruit exporters should be aware of the fact that the Mexican market is more price sensitive than quality sensitive. This is one of the main reasons for limited exports of U.S. citrus products. Despite the excellent quality, U.S. orange prices are four to five times higher than Mexican products. Some attempts have been made by U.S. firms to enter the market, but they have had limited success with strategies that have emphasized quality rather than price.

FROZEN CONCENTRATE ORANGE JUICE

Production

The frozen concentrate orange juice (FCOJ) production forecast for MY 2004 (January/December) was revised downward to 17,000 MT, due to high fresh orange prices. Juice production depends heavily on the international price of FCOJ. FCOJ May future contracts for CY 2004 are approximately US$0.59/lb -- a very low price which does not allow for profit margins. FCOJ contracts for CY 2003 were at about US$0.71/lb and, for CY 2002, were at US$0.80 to US$0.90/lb. The industry bought fresh fruit in November 2003 at about $450 pesos/MT (US$40.46/MT). By March 2004, the price had increased to about $800 pesos/MT (US$70.30/MT).

The FCOJ production estimate for MY 2003 was also revised downward, due to higher fresh orange prices, smaller supplies of the late variety oranges, and strong competition from the fresh market. The industry bought fresh fruit on average from $600 to $1,000 pesos/MT

(US$55.55 to $92.59/MT) during February/April 2003. Data for MY 2002 remains unchanged.

Consumption

FCOJ consumption for MY 2003 and 2004 remains unchanged. The industry does not expect domestic consumption to increase dramatically because of the availability of fresh oranges in the domestic market and a lack of demand from the processing industry for FCOJ. According to processors, there is usually about a 3,000 MT carryover of FCOJ from one year to the next.

Trade

The export estimates for FCOJ for MY 2003 and 2004 were revised downward. Exports were down in MY 2003 and are expected to continue to be low in MY 2004 because of a shorter availability of domestic oranges for processing and low international FCOJ prices. According to industry sources, the U.S. quota was not filled in 2003 and will likely not be filled for 2004. The United States is the main market for Mexican FCOJ, with Japan and European countries also becoming important markets for this product. With the recent negotiation of a free trade agreement with Japan, Mexico received a FCOJ TRQ of 3,850 MT for the first year, which will grow to 6,200 MT by the fifth year at half the current tariff rate. The export estimates for MY 2002 remain unchanged. Most of the imported juice is used for mixing purposes at the plants. Import data for MY 2003 and 2004 was revised downward based on industry information.

Other Citrus

Data for fresh citrus and grapefruit remain unchanged from our annual report (see MX3147).